

**STATEMENT OF ELAINE L. CHAO
SECRETARY OF LABOR
BEFORE THE
SUBCOMMITTEE ON LABOR,
HEALTH AND HUMAN SERVICES, AND EDUCATION
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES**

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Mr. Chairman, and distinguished Members of the Subcommittee, thank you for the opportunity to appear before you today to present the Department of Labor's Fiscal Year (FY) 2005 integrated performance budget.

The 21st Century workplace demands a competitive and responsive workforce. And in FY 2005, the Department of Labor (DOL) stands ready to deliver. With enhanced employment and training initiatives and strengthened worker protection efforts, DOL will continue to play a critical role in accomplishing the President's domestic agenda.

The Department's FY 2005 budget was developed around four major initiatives designed to make a difference in the lives of America's working families: *Innovative Programs to Help Workers Find Jobs*; *Protecting Workers with Stronger Enforcement and Accountability*; *Protecting America's Immigrant Workforce*; and *Building a 21st Century Department of Labor*.

The total request for the Department in FY 2005 is \$57.3 billion in budget authority and 17,419 full-time equivalents (FTE). The total request before the Committee is \$14.7 billion, of which \$11.9 billion is requested for the Department's discretionary programs. The Department's FY 2005 budget builds upon the Department's three strategic goals of *A Prepared Workforce*; *A Secure Workforce*; and *Quality Workplaces*. In this FY 2005 budget, DOL addresses a newly-developed fourth Departmental strategic goal: *A Competitive Workforce*. This fourth goal focuses on equipping workers to adapt to rapidly-evolving challenges while promoting job flexibility and minimizing regulatory burden.

Employment and Training Programs

The FY 2005 budget for the Department provides \$9.4 billion in discretionary budget authority for the Employment and Training Administration (ETA) and supports 1,253 FTE. This represents an increase of \$27 million above the 2004 enacted level.

A cornerstone of the Department's goal of *A Competitive Workforce* is the President's new Community-Based Job Training Grants.

Community College Initiative: Community-Based Job Training Grants

In FY 2005, \$250.0 million is targeted for Community-Based Job Training Grants in the Department's Employment and Training Administration. This is but one part of President Bush's *Jobs for the 21st Century* initiative – which provides for over \$500.0 million in new funding for education and job training programs, including expanded Pell Grants for low-income students.

The Community-Based Job Training Grants are part of the President's three-part strategy to train America's workers. Together with Personal Reemployment Accounts and reform of Federal employment and training programs, this initiative will help ensure that every worker in the nation who is looking for a job can find one.

The new Community-Based Job Training Grants are employer-focused competitive grants that will tap the expertise of the Nation's many community and technical colleges. Grants will support training in industries with demonstrated labor shortages, such as health care. This initiative will help workers wishing to retool, refine, and broaden their skills.

Workforce Training Reform

In FY 2005, the Department will continue to press for significant improvements in Federal employment and training programs. The expiration of the Workforce Investment Act (WIA) provides an opportunity to eliminate redundancies, strengthen resource allocation, improve accountability, enhance the role of employers in the national workforce system, and increase State flexibility. In WIA reauthorization, the Department strongly supports consolidating three programs into a single adult training grant, which will better serve both workers and job seekers.

Personal Reemployment Accounts

The Department's FY 2005 budget for ETA also includes \$50.0 million for Personal Reemployment Accounts. This incentive-based program will provide individuals more control over their return-to-work efforts. Under the plan, States would offer up to \$3,000 to eligible unemployed workers – resources that can be applied to the training and services that best benefit each individual. As an incentive to return to work as soon as possible, recipients would keep the balance of the account as a cash bonus if they find a job within 13 weeks.

Prisoner Reentry Initiative

Beginning in FY 2005, the Department of Labor teams with the Departments of Justice and Housing and Urban Development and faith-based and community organizations on a four-year, \$300.0 million program to guide ex-offenders *from* incarceration *to* community life and full-time employment. The President's FY 2005 Budget includes \$35 million for the Prisoner Re-entry Initiative, supplemented by resources that have been used for re-entry activities for youthful offenders. The new initiative will help ex-offenders find and keep jobs, secure transitional housing, and receive mentoring and be guided by the belief that everyone deserves a second

chance.

Youth

In FY 2005, a total of \$2.6 billion is requested for employment and training programs for Youth. This investment, which is slightly above the FY 2004 level, will help young people make a successful transition to the world of work and family responsibility. The proposal reflects the vision of a reformed youth program that is contained in the Administration's Workforce Investment Act reauthorization proposal. The reformed Youth Grants program will be funded at \$1.0 billion and in FY 2005 will serve an estimated 337,000 youth through Targeted Formula Grants and National Challenge Grants. The proposal will minimize overlap between the DOL and the Department of Education by targeting all of DOL's formula resources to out-of-school youth programs and national grant resources to non-school and out-of-school youth programs that have proven effective.

DOL's youth investments will focus on providing young people with a strong, core academic foundation in conjunction with appropriate post-secondary skill certifications or degrees. These resources will help achieve ETA's performance goal of ensuring that 65 percent of participants in the Youth Grants program who are not in school or employed at registration will enter employment or enroll in post-secondary education, the military, or advanced training in the first quarter after leaving the program. The program will also ensure that 40 percent of students will attain a General Equivalency Diploma (GED), high school diploma, or certificate; 40 percent will achieve gains in literacy or numeracy skills; and the average cost per participant will be \$2,966.

ETA's proven Job Corps program will continue to provide intensive skill training, academic and social education, and support to an estimated 68,400 participants at 122 centers in 2005. The budget request is \$1.6 billion – a \$16.1 million increase above 2004. For 2005, an estimated 85 percent of Job Corps graduates will enter employment or enroll in post-secondary education or advanced training after leaving the program; 61 percent of students will attain a GED, high school diploma, or certificate; 40 percent of students will achieve gains in literacy or numeracy skills; and the average cost per participant will be no higher than \$22,766.

Adults

A total of \$3.3 billion is requested in FY 2005 for ETA's employment and training programs for Adults. This request is an increase in funding for Adults from 2004. It encompasses a consolidation of three grant programs--the WIA Adult Program, WIA Dislocated Worker Program, and the United States Employment Service--as well as the new Community-Based Job Training Grants and Personal Reemployment Accounts.

The new Consolidated Adult and Dislocated Worker State Grants program will maintain Formula Grants and a National Reserve, but will increase States' and the Secretary of Labor's ability to target resources, will facilitate coordination, and will eliminate duplication in the provision of services to adults. This will help achieve ETA's performance goal of ensuring 70

percent of individuals unemployed at the time of registration in the Consolidated Adult and Dislocated State Grant program will be employed after program exit. The budget authority requested, together with unexpended carryover, is expected to support 19,000,000 participants.

Reforming Foreign Labor Programs

The President's temporary worker proposal will significantly reform the current work-based immigration system. In addition to preparing U.S. workers for jobs, ETA will work to improve job matching systems. As part of the President's proposal, ETA will develop a quick and simple system for employers to search for American workers, before looking at other applicants. An improved America's Job Bank will be the cornerstone of matching willing foreign workers with willing employers.

In addition to the new temporary worker program, ETA's reforms to the permanent foreign labor certification program will more effectively address employers' specialized needs for workers when American workers are not available. ETA will reduce the existing backlog of petitions, prevent future backlogs, and strengthen anti-fraud protections.

Strengthening the Unemployment Insurance Safety Net

The Administration is taking concrete steps to fortify the Unemployment Insurance (UI) system, recognizing that it is critical to workers' security as a safety net during economic downturns. The FY 2005 budget request includes a new \$20.0 million program to allow staff in One-Stop Career Centers to conduct 50 percent more face-to-face eligibility reviews. More eligibility reviews will reduce the number of erroneous payments, resulting in annual UI savings of up to \$400.0 million. The Department will also pursue legislation to end "SUTA Dumping," an abusive practice in which some employers with track records of layoffs find ways to avoid paying their fair share of state unemployment taxes, and to allow State UI agencies access to the National Directory of New Hires, which would allow quick detection of individuals who cheat the system by returning to work and continuing to collect UI.

Veterans' Employment and Training

These efforts are complemented by the Department's FY 2005 request to support veterans employment programs, help service members transition into the civilian labor force when they leave active duty, and protect veterans' employment and reemployment rights. The total request is \$221 million and 250 FTE. This reflects a \$2 million increase over FY 2004 funding. Included in this request is \$19 million to assist homeless veterans.

Worker Protection

Mr. Chairman, I remain deeply committed to enforcing the many laws that protect workers' safety and economic security. To that end, the Department is proposing a \$40.0 million increase in FY 2005. This increase will enable the Department to better protect workers' retirement savings; ensure worker safety and health; protect workers' pay, and protect union member rights. The Department is also proposing increases in certain civil monetary penalties for entities that commit repeated or flagrant violations of labor laws. While the vast majority of employers want to provide safe and fair workplaces, others only do so on the threat of enforcement or strong sanctions. Reforming the Department's civil monetary penalties will strengthen our ongoing enforcement and compliance assistance efforts by providing real deterrence and eliminating the practice of treating civil monetary penalties as simply a "cost of doing business."

I am also very committed to preventing violations of our laws by increasing our compliance assistance efforts. During the past two years, the Department has initiated a comprehensive program to reach out to employers and employees to educate them about our Nation's employment laws. We have created a new era of responsibility at the Department of Labor to help the regulated community understand our comprehensive rules and regulations.

In FY 2005, these compliance assistance and enforcement initiatives will also better protect America's immigrant workforce. An improved labor certification process will complement these important efforts. This will better match willing workers with willing employers.

Employee Benefits Security Administration

The Employee Benefits Security Administration continues to lead the way in protecting the Nation's retirement and health benefits security. The FY 2005 budget includes \$132.3 million and 960 FTE for EBSA – an \$8.3 million increase. EBSA protects the integrity of pensions, health plans, and other employee benefits for more than 150 million people. These FY 2005 resources will allow EBSA to enhance enforcement and participant assistance. We will conduct 18 percent more investigations than in FY 2003. We will also continue to accelerate processing the exemptions that plans need for certain financial transactions, while also issuing more of these exemptions, determinations, and other guidance.

To complement the FY 2005 increases, the Administration will continue to press for enactment of the President's retirement security plan, which will give workers more and better information on their retirement savings and strengthen workers' abilities to manage their future by providing more freedom to diversify investments. And as President Bush referenced in his State of the Union address, we look forward to working with Congress to advance legislation creating Association Health Plans. These Plans are key to reducing the costs of purchasing and providing health benefits, giving more working families access to quality health care through their employers, especially smaller employers.

Employment Standards Administration

Funding for the Employment Standards Administration (ESA) in FY 2005 will increase by \$17.9 million – or about four percent compared with FY 2004. Of the new funding, \$6.5 million will finance initiatives to improve enforcement and compliance assistance, and ESA-wide data systems support.

Wage and Hour Division

The FY 2005 budget request for ESA's Wage and Hour Division is \$165.9 million and 1,458 FTE – an increase of nearly four percent over FY 2004. The Wage and Hour Division is responsible for the administration and enforcement of a wide range of laws that collectively cover virtually all private and state and local government workplaces. With performance goals of increasing compliance in low-wage industries and reducing employer recidivism, Wage and Hour activities include obtaining compliance with the minimum wage, overtime, child labor, and other employment standards under the Fair Labor Standards Act, and many other laws including the Family and Medical Leave Act. The budget includes \$1.1 million and 12 FTE to expand the Division's targeted investigations to other low-wage industries that typically employ the most vulnerable workers; \$0.3 million and 2 FTE for compliance assistance to small employers and underserved communities, particularly those where English is their second language, to encourage voluntary compliance; and \$0.4 million and 2 FTE to enable Wage and Hour to update its rules to better protect workers and ensure that its standards remain relevant and useful for tomorrow's workplaces. The ESA request also includes a proposal to increase the civil monetary penalties for child labor violations that cause the death or serious injury of minors. Fines will be raised from \$11,000 to \$50,000, and to \$100,000 for willful or repeat violations.

Office of Federal Contract Compliance Programs

The FY 2005 budget request for ESA's Office of Federal Contract Compliance Programs (OFCCP) is \$82.1 million and 749 FTE – an increase of more than three percent over FY 2004. OFCCP is responsible for ensuring equal employment opportunity and non-discrimination in employment based on race, sex, religion, color, national origin, disability or veteran status for businesses contracting with the Federal government. The budget request includes \$0.4 million to start up the redesign of the program's database system to enable OFCCP to more effectively use its resources and improve the program's strong enforcement record. This increase will also assist in meeting the program's performance goal of reducing the incidence of discrimination among Federal contractors.

Office of Labor-Management Standards

An additional worker protection aspect of the Department's 2005 budget is a \$5.0 million increase for ESA's Office of Labor-Management Standards (OLMS), \$3.9 million of which will restore OLMS staffing to better protect union members' rights and financial interests. These additional resources will support the administration of labor union reporting requirements established by the Labor Management Reporting and Disclosure Act (LMRDA) and DOL regulations, including expanded compliance assistance activities and the auditing of filed reports.

The ESA request also includes a proposal to authorize OLMS to impose civil penalties on unions and others that fail to file their required financial reports on a timely basis. Authorizing civil monetary penalties is intended to protect union members' right to know, and improve compliance with the filing requirement, not penalize inadvertent lapses.

The additional FY 2005 resources will also enable OLMS to expand its ongoing electronic government initiatives and will reduce administrative burdens on labor organizations. Further, these resources will support continuing efforts to advance electronic filing and Internet posting of union financial statements required under the LMRDA.

Office of Workers' Compensation Programs

ESA's Office of Workers' Compensation Programs (OWCP) administers disability compensation programs, which mitigate hardship caused by work-related injuries or disease, through the provision of wage replacement and cash benefits, medical treatment, vocational rehabilitation, and other benefits to certain workers (or their dependents or survivors). In FY 2005, DOL requests \$133.8 million and 1,160 FTE to administer the Federal Employees' Compensation Act (FECA), Longshore and Harbor Workers' Compensation, and Black Lung Benefits programs. The Department also requests \$40.8 million and 300 FTE to administer the Energy Employees' Occupational Illness Compensation Program Act (EEOICPA).

The Budget re-proposes legislative changes to improve the FECA program, including changes that adopt best State practices; improve program fairness; and speed claims processing. These proposals would result in ten-year Government-wide savings of more than \$573.0 million. The Budget also re-proposes legislation to restore the long-term solvency of the Black Lung Disability Trust Fund by restructuring the Trust Fund debt, which is projected to exceed \$9 billion in FY 2005.

Occupational Safety and Health Administration

The cornerstone of worker safety is the Occupational Safety and Health Administration, which will continue to use a balanced approach of strong, fair and effective enforcement; outreach, education, and compliance assistance; and cooperative and voluntary programs for employers and employees. This balanced approach has proven to be highly effective. In 2002, workplace fatalities decreased by 6.6% to a historical low, and the injury and illness was 5.3 per 100 workers.

The FY 2005 OSHA budget request is \$461.6 million and 2,238 FTE. This represents a \$4.1 million increase to better accomplish the Department's occupational safety and health mission. Consistent with its strategic goals, OSHA will focus on the most serious hazards and dangerous workplaces and expand compliance-assistance opportunities. To that end, DOL is seeking a \$4.9 million increase to expand its OSHA's Federal Compliance Assistance efforts. This activity supports a variety of cooperative programs, training, and outreach to provide compliance assistance to employers and employees – particularly small businesses. The total request for Federal compliance-assistance activities is \$71.4 million and 358 FTE. The Agency will also

assist employers by continuing important programs like the Voluntary Protection Program and by seeking a \$1.7 million increase for the on-site Consultation Program for small employers to encourage safe and healthy workplaces. Through its compliance assistance efforts, OSHA works to help employers and employees recognize that safety and health adds value to their businesses and their lives.

OSHA's FY 2005 budget request includes \$16.1 million to meet the commitments of its regulatory agenda and to develop and issue guidance products to better protect employees from workplace hazards. The budget request for OSHA's Federal Enforcement activity is \$171.0 million and 1,581 FTE – a \$5.0 million net increase over FY 2004 that includes \$2 million to support the Agency's enforcement of 14 whistleblower statutes, which have produced an increasing number of complaints in recent years. OSHA's Federal Enforcement activity increases compliance with workplace standards under the Occupational Safety and Health Act of 1970 through the on-site inspection of work places. OSHA will continue to target inspections based on the worst hazards and the most dangerous workplaces. OSHA will also assist other Federal agencies in establishing and maintaining occupational safety and health programs for Federal workers, including the President's recently announced Safety, Health and Return-to-Employment, or S.H.A.R.E., initiative, which creates a strong and visible incentive for Federal agencies to look more carefully at workers' compensation costs and workplace injury rates.

Mine Safety and Health Administration

In 2003, mining fatalities were at their lowest levels since such statistics were first recorded in 1910. DOL will build upon these successes in FY 2004 and 2005. The FY 2005 budget request for the Department's Mine Safety and Health Administration (MSHA) is \$275.6 million and 2,334 FTE – an increase of \$6.7 million. These resources will bolster MSHA's mission to protect the safety and health of the Nation's miners through enforcement of the Federal Mine Safety and Health Act of 1977. DOL will also seek to increase MSHA's Civil Monetary Penalties to better protect the Nation's workers; the maximum penalty for flagrant violations will be raised from \$60,000 to \$220,000. The resources will also allow MSHA to continue its progress in reducing the fatal injury incidence rate by 15% and the all-injury incidence rate by 50 percent from the baselines by the end of FY 2008.

The FY 2005 request for MSHA's Coal Mine Safety and Health activity is \$114.9 million and 1,081 FTE. The Coal Mine Safety and Health activity is responsible for ensuring the safety and health of the Nation's coal miners through special emphasis safety programs, compliance and training assistance, and periodic regular inspections and special investigations. This request includes an increase of \$0.3 million to produce an updated Engineering and Design Manual, which will compile available information on the design, construction, maintenance, and monitoring of coal waste impoundments.

A total of \$66.8 million and 617 FTE is requested in FY 2005 for MSHA's Metal and Nonmetal Mine Safety and Health activities. This is an increase of nearly \$800,000 over FY 2004. These activities promote a safe and healthy working environment in the Nation's metal and nonmetal mines and mills - and represent the fastest growing segment of the mining industry. MSHA will

accomplish this goal through compliance and training assistance, periodic regular inspections, and special investigations.

Bureau of International Labor Affairs

The Department's FY 2005 request for the Bureau of International Labor Affairs (ILAB) of \$30.5 million will allow ILAB to continue to fulfill the mandates of the Trade Act of 2002 by assisting in the negotiation of labor provisions in trade agreements; provide technical assistance to countries seeking trade agreements with the United States; and produce reports on countries' labor laws and practices and on the economic effects of trade agreements on labor. In addition, the request will allow ILAB to continue its efforts to combat exploitative international child labor, including child soldiering, through modest grants and close oversight of the more than \$250 million in prior-year grants that are still active. ILAB will continue to conduct research and develop policy on trade and immigration issues, as well as engage in a number of new initiatives aimed at supporting the President's foreign policy priorities.

Office of Inspector General

The Department's FY 2005 request for the Office of Inspector General (OIG) is \$69.9 million and 480 FTE – an increase over FY 2004. This includes a \$4.3 million increase for OIG to protect the financial integrity of U.I. benefits and prevent organized crime influence in labor organizations.

The OIG budget also includes resources for audit; program fraud investigations; labor racketeering; special evaluations and inspections of program activities; and executive direction and management. The OIG performs audits of the Department's financial statements, programs, activities, and systems to determine whether information is reliable, controls are in place, resources are safeguarded, funds are expended in a manner consistent with laws and regulations and managed economically and efficiently, and desired program results are achieved.

Helping Workers Balance Work and Family

In FY 2005, the Department of Labor is pleased to play a role in the President's support for families with a \$5.0 million request to promote greater use of telework and flexible work arrangements that can help individuals balance the demands of work and family. As the private sector addresses this issue, DOL can play a role in promoting these family-friendly efforts.

Building a 21st Century Department of Labor

The President's FY 2005 budget will allow us to position our agency as a 21st Century Department of Labor. It provides \$25.0 million for acquiring a new core Financial Management System to better serve our internal and external clients. We will also build upon the proven successes of the Department's Information Technology cross-cut – for which we will apply \$33.6 million. We are also requesting \$10.1 million for the Department's Management cross-cut initiatives. Both of these initiatives strengthen the Department's ability to serve its customers and allow the Department to operate more efficiently by reducing duplicative agency requests and implementing Department-wide management strategies.

Implementing the President's Management Agenda

Before I close today, Mr. Chairman, I also want to highlight the Department's ongoing efforts to implement the President's Management Agenda – as well as to discuss our recent assessments and actions resulting from the Program Assessment Rating Tool (PART).

As you know, the President's Management Agenda is an aggressive strategy for improving the management of the Federal government by focusing on five management areas across the government where the most progress can be made. The five government-wide areas are: *Strategic Management of Human Capital*; *Competitive Sourcing*; *Improved Financial Performance*; *Expanded Electronic Government*; and *Budget and Performance Integration*. In addition, the Department is one of a select few agencies responsible for implementing a sixth Agenda component: *Faith-Based and Community Initiatives*.

The Department continues to make significant progress in its ongoing implementation of the President's Management Agenda. As of December 31, 2003, DOL has four *Green* scores and one *Yellow* score on the scorecard that tracks our progress in implementing the five government-wide initiatives.

Program Assessment Rating Tool

At the core of the *Budget and Performance Integration* component of the President's Management Agenda is the need to improve government programs by focusing on results. As such, the Program Assessment Rating Tool (PART) has been used to assess approximately 40 percent of Federal programs. As part of this process, DOL programs that were first reviewed in calendar year 2003 included the Mine Safety and Health Administration; the Employment and Training Administration's Unemployment Insurance and Migrant and Seasonal Farmworkers programs; and the Employment Standards Administration's Wage Determination and Black Lung programs. Each program was rated on overall effectiveness. Highlights and results of the PART reviews can be found in the agency-specific sections of the Department's budget. We are working to address program weaknesses identified during the 2003 round, and lay the groundwork for this year's PART assessments.

Conclusion

Mr. Chairman, this is an overview of what we have planned at the Department of Labor for FY 2005. I will be happy to answer any questions you may have.